

HOUSE BILL REPORT

HB 1222

As Reported by House Committee On:
Local Government

Title: An act relating to public utility districts' contracts for work or materials.

Brief Description: Concerning public utility districts' contracts for work or materials.

Sponsors: Representatives Griffey and Blake.

Brief History:

Committee Activity:

Local Government: 1/29/19, 2/6/19 [DPS].

Brief Summary of Substitute Bill

- Increases the thresholds for competitive bidding for the purchase of materials and the purchase of work ordered by public utility districts.

HOUSE COMMITTEE ON LOCAL GOVERNMENT

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Pollet, Chair; Peterson, Vice Chair; Kraft, Ranking Minority Member; Griffey, Assistant Ranking Minority Member; Appleton, Goehner and Senn.

Staff: Yvonne Walker (786-7841).

Background:

A public utility district (PUD) is a type of special purpose district that is authorized to provide electricity, water, sewer, and telecommunications services to its jurisdiction. Each PUD is governed by a board of three to five elected commissioners.

Under certain circumstances, PUDs are required to enter into contracts for the purchase of materials or work. Public utility districts must contract for the purchase of materials, of the same kind, when such materials, equipment, or supplies have an estimated cost exceeding \$15,000.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

If a district purchases the same kind of materials, equipment, or supplies in excess of \$7,500 in one calendar month, the excess must be purchased by contract.

Public utility districts must contract for work ordered by a PUD commission when the estimated cost exceeds \$25,000. However, a district may have its own employees perform work, which is an accepted industry practice under prudent utility, without a contract. "Prudent utility management" means performing work with regular employees utilizing materials under \$150,000 in value without a contract.

When a PUD commission is required to purchase materials or work by contract, the commission must publish notice inviting sealed proposals for the contract. The notice must be published at least 13 days before the last date upon which bids will be received. Plans and specifications for the work or materials must be on file at the PUD office at the time of publication and be subject to public inspection.

The PUD may also utilize an informal vendor list process for purchases of materials of one kind worth over \$15,000, but less than \$60,000. This process requires the PUD to solicit quotations from at least three vendors on the vendor list whenever possible to assure that a competitive price is established and the contract is awarded to the lowest responsible bidder. The vendor list is established and revised by the PUD publishing a notice, at least twice a year, soliciting vendors for inclusion on the list.

The last threshold for competitive bidding for the PUDs occurred in 2008.

Summary of Substitute Bill:

The bid threshold limits for supplies and work ordered by a PUD commission are increased.

The bid threshold for the purchase of materials, equipment, or supplies, of the same kind is increased from \$15,000 to \$30,000. The maximum cost of items of the same kind purchased in any calendar month without contracting is raised from \$7,500 to \$12,000.

The bid threshold for any work ordered by a PUD commission is increased from \$25,000 to \$50,000. The maximum cost of material used in work by the PUDs, under prudent utility management, without contracting is raised from \$150,000 to \$300,000.

The value range of a contract to purchase materials, equipment, and supplies for which a PUD may use an informal bid solicitation process is increased from at least \$15,000 but less than \$60,000 to a new threshold of at least \$30,000 but less than \$120,000 per month.

The term "equipment" includes but is not limited to conductor, cabling, wire, pipe, or lines used for electrical, water, fiber optic, or telecommunications.

Substitute Bill Compared to Original Bill:

The substitute bill makes the following changes. A technical correction is made to amend a section that was unintentionally left out of the original bill draft. A provision is added to require that prevailing wages are to be in effect at the beginning date for each contract year and that unit-priced contracts have prevailing wage rates updated annually for public utility districts. In addition, an "intent" to pay prevailing wage and an "affidavit" that prevailing wages have been paid, must be submitted annually for all work completed within the previous 12-month period of the unit-priced contract.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) Over the last year there has been a lot of work done by the PUDs to determine actual utility costs. Under state statute, certain classes of PUDs expenditures must go out for competitive bidding if their costs exceeds certain bid limits. These bid limit thresholds were last changed in 2008. Since that time, utility costs have increased significantly.

Public utility districts just need a little adjustment in their caps so that they do not have to keep going out to bid for some of their purchases and contracts. The bid limits included in this bill will allow PUD crews to complete a few more time sensitive projects.

(Opposed) None.

(Other) A minor amendment needs to be done to the bill to align this PUD statute with other current statutes.

Persons Testifying: (In support) Representative Griffey, prime sponsor; and Nicolas Garcia, Washington Public Utility Districts Association.

(Other) Tammy Fellin, Department of Labor and Industries.

Persons Signed In To Testify But Not Testifying: None.